Introduction

Good afternoon Mr. Chairman, and members of the committee. My name is David Rajkovich, and I am a third generation farmer from Stockton, CA. The tree crops we produce are cherries, apples and walnuts. I am also a founding partner of Farmington Fresh, which is an apple and cherry packing and marketing company. We have both domestic and international marketing capabilities.

The company currently packs and markets apples and cherries for over fifty (50) growers located throughout the San Joaquin and Sacramento Valleys. It is anticipated that this year we will be packing and marketing close to one (1) million cartons of cherries, pears and apples. The value of these commodities is approximately fifteen (15) million dollars.

Production Agriculture

I would like to begin with the needs and concerns of the farmers that I deal with on a daily basis. A Growers largest use of electrical energy is for irrigation. Unlike other areas of the country, almost all crops grown in California require irrigation, and this is especially true of the fruit and nut crops.

Great progress has been made with the efficiency of crop irrigation. It is one of the reasons that we are able to produce higher yields per acre than ever before. This is being done after losing some of our best land to urban development. Older, wasteful flood irrigation practices have given way to furrow irrigation in orchards. Many of these methods have since been replaced with sprinkler and drip technologies. These new technologies bring the efficient use of water up to the state of the art levels. This efficient use of water is the most effective way for a grower to reduce energy costs.

Many Growers in our region are increasing their reliance on groundwater pumping for irrigation due to reduced supplies of surface water. Reduced supplies of surface water will most likely continue to be a problem for growers. The reasons being that the increasing demand on this resource from urban users, along with recently imposed habitat restoration initiatives occurring statewide. The resulting increase in groundwater pumping is much more dependent on electrical power and will continue to tax available power supplies during the peak summer months.

Over the past few years many growers, like myself, have been installing diesel powered pumping plants to lessen our dependence on the electrical utilities. We try to avoid running electrical pumps during peak load periods, saving considerable amounts of money by only running the electric pumps during “off peak” periods. However, I am now paying three (3) times as much for diesel than I was just four years ago. Almost all the tillage, harvesting and trucking done by farmers is dependent on diesel fuel. The recent spike in fuel prices is a dramatic impact on the grower’s bottom line, due to the fact that growers have no way to pass higher energy costs on.

Packing – Marketing

I would like to now focus on an even more dependent aspect of California agriculture on electrical energy. This area is in our packing and marketing functions.

Any packer will tell you that the three largest cost components in this business are labor, power, and packaging materials. California is now at a severe cost disadvantage to our major domestic competition in the Northwest. The disadvantage is in both labor and energy. For years, California has had a higher minimum wage than the federal minimum wage. ($6.25 vs. $5.15). As a large electrical power user in California we have been paying $0.12 /kw for power versus $0.04 in the state of Washington, and this is prior to all the recent uncertainties and failures of California's attempts at deregulation.

California apples growers have lost anywhere from seventy to eighty percent (70% to 80%) of their export business to Hong Kong, Singapore, Malaysia and Indonesia due to the flood of cheap Chinese apples to those markets in just the past two years. *

Taiwan, our single largest export market, has reduced purchases of California apples by thirty percent (30%) over the same time period. Now an even more harmful possibility looms in our future. Even though California cannot export any varieties of apples to Korea, Korea continues to press for the U.S. to allow for the importation of Korean Fuji apples. Being a northern hemisphere country, these apples would directly compete with freshly harvested American fruit.

Due to the highly perishable nature of tree fruit, extensive cold storage facilities are required to cool and store fruit immediately after harvest. The season starts in May with cherries and continues through December with Apples. Our peak demands coincide with the states peak power usage. On hot dry summer afternoons, hundreds of tons of harvested fruit arrives at our plant. This fruit needs to be cooled quickly to 33 degrees in order to preserve its shelf life through the packing, marketing and shipping process.

Modern packing facilities such as ours have been built with the state of the art energy control systems to save as much power as possible. All of our 60,000 square feet of refrigerated storage is monitored and controlled by computer systems to limit the power needed to keep the stored fruit cold. Fifty Thousand (50,000) square feet of packing facilities use energy efficient motors and lighting. From a conservation approach, there is very little more that we can do to reduce our power needs, short of closing the doors.

Most major packers in California are now installing emergency stand-by generator capabilities in order to protect the grower from the loss of refrigeration due to anticipated rolling blackouts this summer. This will add costs along with a minimum increase of twenty-four percent (24%) higher utility bills. We will attempt to pass on this additional cost to the growers through higher packing charges. However, since we market our packed products to an ever decreasing number of large domestic grocery store chains,

* Source: California Apple Commission

who directly compete in the world market with foreign fruits, we can not raise the market price in order to recover these added costs for our growers.

As usual, it is the grower who is put into a tighter financial squeeze, facing rising production costs, and then selling into a depressed market.

Conclusion

In the Chairman's invitation to me to address the committee today, I was asked for my opinion of how the current energy situation developed, and my prognosis of the situation over the next one to ten years.

I will not even pretend to portray an understanding of the deregulation mess that we are in currently; but as a practical person, I do not believe that it is wise to be so dependent on out of state generators to supply our power needs.

I can see that we, in agriculture, are left to scramble for whatever water and power sources that we can find. The problem being that now we are competing with thirty-four (34) million others who call California home, and our state supplies for power and water have not significantly changed from thirty (30) years ago when California had only twenty (20) million people.

To help preserve the states $26 billion dollar* agricultural economy, Californian's need to encourage the building of clean, renewable sources of water and power, such as the Auburn Dam. I do not believe that having the state purchase power transmission lives from bankrupt utilities or does anything to address the shortage of in-state power generation capacity.

California leads the nation in the production of many farm commodities. It is the largest agricultural economy in the nation*. Many of our greatest modern agricultural advances in technology and innovation originated in our great state. Unfortunately, I also believe that California must have been the birthplace of the term "Not in My Backyard". Without development of new state water and power sources, it will become harder and harder to compete in this new world economy that we are now dealing with.

As a person with an optimistic outlook on most matters, I see little on the horizon to make me think that the economic viability of farms producing many of the aforementioned crops is very promising. With our current power situation becoming another major hurdle that farmers must try to overcome.

I know I will probably encourage my children to get into another field of endeavor, much like my father tried to convince me. He said there were easier ways to make a living. However, when you are twenty-one, and fresh out of college, who does not think they know more than their father? While I do not see it happening in the next ten (10) years, it

would be sad for me to see my children or grandchildren's generation become dependent on a foreign country for a large portion of their food supply.

* Source: California Department of Food and Agriculture

China has become the worlds largest apple producer with six (6) Million Acres

Apple Shipments From China to the Following:
(40 # Boxes)

Country	1990	1999
Vietnam	0	1,078,650
Indonesia	0	211,550
Malaysia	0	892,100
Singapore	0	692,780
Thailand	0	382,250
Hong Kong	0	2,513,000

Apple Juice Concentrate Shipped **From China To the USA**
Metric Tons (1820 lbs)

	1995	1996	1997	1998	1999
China Tons Produced	17,744	20,579	33,451	80,598	98,819
Imported to the USA	2,661	6,280	14,540	45,931	20,693

Source: Bellrose, Inc., Pullman Washington

Price Comparisons from 2000-01 vs. 1999-00
For Varieties Harvested in California

Variety	2000-01	1999-00	+ or (-) / Box
Granny Smith	$16.25	$16.75	- $0.50
Fuji	$10.35	$17.35	- $7.00
Gala	$13.25	$16.70	- $3.45
Pink Lady	$16.90	$26.50	- $9.60

Source: California Apple Commission, Fresno CA.